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October 4, 2007

PUBLIC UTILITIES  
COMMISSION

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The Honorable Chairman and Members of the  
Hawaii Public Utilities Commission  
465 South King Street, First Floor  
Kekuanaoa Building  
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2006-0386 – HECO 2007 Test Year Rate Case  
Energy Cost Adjustment Clause – Request for Extension

For the reasons specified below, this letter requests an extension from October 5 to October 26, 2007 for Hawaiian Electric Company, Inc. ("HECO" or "Company"), the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs ("Consumer Advocate") and the Department of the Navy on behalf of the Department of Defense ("DOD") (i.e., the "Parties") to file a joint stipulation to address the Energy Cost Adjustment Clause ("ECAC") issues specified in the Commission's September 18, 2007 letter, and to file their proposed findings of fact and conclusions of law on the Pension Asset issue. HECO also requests that the Commission extend the due date to from November 3 to November 27, 2007 for responses to proposed findings of fact and conclusions of law in this proceeding. The Consumer Advocate and the DOD concur with these extension requests

On September 21, 2007, the Parties jointly filed a letter with the Commission stating that they have agreed to either submit a joint stipulation by October 5, 2007 to address the Energy Cost Adjustment Clause ("ECAC") issues specified in the Commission's September 18, 2007 letter, or address the matter separately in their proposed findings of fact and conclusions of law to be filed on October 5, 2007 with respect to the Pension Asset issue.<sup>1</sup>

However, due to the need to address other regulatory matters before the Commission, the Parties have not been able to progress to the point of developing a stipulation for filing with the Commission by October 5.<sup>2</sup> The Company has had preliminary discussions on the ECAC issues

<sup>1</sup> The Stipulated Settlement Letter, filed on September 6, 2007 stated that the Parties would file simultaneous proposed findings of fact and conclusions of law on October 5, 2007 and simultaneous responses to proposed findings of fact and conclusions of law on November 3, 2007.


<sup>2</sup> Current regulatory proceedings in which some or all of the Parties are involved include, but are not limited to, Docket Nos. 2006-0387 (MECO 2007 test year rate case), 2006-0386 (HECO 2007 test year rate case), 04-0046 (HELCO IRP-3), 04-0077 (MECO IRP-3), 2006-0084 (Net Energy Metering), 2006-0431 (Earthquake Power

with the Consumer Advocate and is developing alternatives for discussion with the Consumer Advocate and the DOD. The Parties are hopeful that with additional time to October 26 they will be able to execute a stipulation on the ECAC issues.

As stated in their September 21, 2007 letter, the Parties point out that a subsequent agreement to, or an order with a different risk-sharing formulation under HECO's ECAC would not affect the interim rate relief in this proceeding, and would not be the basis for any refund. As stated on page 3 of Exhibit 1 to the Stipulated Settlement Letter: "For purposes of the interim rate increase, the Parties agree that the ECAC should continue in its present form. (See discussion on Act 162 below.)" Exhibit 1 goes on to state on page 4 that: "The Parties agree, however, that their resolution of this issue [i.e., the ECAC design issue] will not affect their agreement regarding revenue requirements, and that it is appropriate for the Commission to issue its interim rate order based on the stipulated revenue requirements."

The Parties' September 21, 2007 letter also stated that any change in the ECAC would be prospective. The ECAC recovers (or passes through) changes in fuel costs based on changes in the base rate fuel prices. Even if there was only partial pass through of changes in fuel costs after the new rates with a modified ECAC became effective, it would not impact the base rates set in the HECO 2007 test year rate case proceeding. A change in the risk-sharing formulation following a Commission final order in the rate case may affect the revenues recovered through the ECAC in the future, as a result of changes that would be necessary to future monthly ECAF filings. However, those future changes would not affect the level of interim rate relief nor create a basis for refunds.

Very truly yours,



Dean K. Matsuura  
Manager, Regulatory Affairs

cc: Division of Consumer Advocacy  
Dr. Khojasteh Davoodi  
Randall Y. K. Young, Esq.

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Outage), 2006-0497/2006-0498 (Standby and Interconnection Service Tariffs), 2006-0396 (Young Brothers 2007 test year rate case), 2007-0008 (Renewable Portfolio Standards), 2006-0486 (North Shore Wastewater Treatment LLC rate case), 2006-0400 (Hawaiian Telcom service quality investigation), 2007-0123 (Hawaiian Telcom sale of Directory Advertising) and 2007-0198 (Kukio rate case).

